

## LOCAL EDUCATION AGENCY (LEA) INDIRECT COST PROCEDURES

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| A. | Introduction |
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| The State Superintendent of Public Instruction or her/his designated representative is the delegated authority to establish indirect cost rates for their Local Education Agencies (LEAs) in their state.                                      |
| These LEA rates will serve as the sole basis for budgeting and allocating indirect cost reimbursement under Federal programs.  |
| The application of LEA indirect cost rates is binding on all Federal agencies.   |
| The Arizona Department of Education (ADE) negotiates with the U. S. Department of Education (USDOE) to confirm approval and acceptance of the methodology policy and procedures ADE will use in establishing indirect cost rates for its LEAs. |
| This Local Education Agency – Delegation Agreement is approved through 6/30/07.  |
| These rates are for use in the award and management of Federal contracts, grants and other assistance arrangements governed by Office of Management and Budget (OMB).  |
| The cost principles and standards for determining the allowable costs of federally funded grants administered by state and local governments are established by the OMB Circular A-87.   |
| Education Department General Administrative Regulations (EDGAR) are the governing USDOE guidelines and statutes dealing with education and federal grants.   |

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| B. | Authority |
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|  | Federal Oversight Authority  |
|  | U. S. Department of Education (USDOE) is the cognizant agency for ADE.   |
|  | USDOE reviews and approves the LEA Indirect Cost Plan implemented by ADE.  |
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|  | Regulatory Authority   |
|  | ADE must follow the Office of Management and Budget (OMB) Circular A-87 regarding cost principles for federal awards.  |
|  | OMB Circular A-87 provide cost guidance to determine allowable costs and how costs are classified.   |
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|  | Code of Federal Regulations 34 CFR Parts 74, 75, 76, 78, 79, 80, and 81 are the federal statutory regulations dealing with federal education grants and awards.  |
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|  | Code of Federal Regulations 34 CFR Part 74 sets forth provisions to allow State Education Agencies and Local Education Agencies to claim indirect costs associated with federal programs through the use of an indirect cost rate. ADE follows the Education Department General Administrative Regulations (EDGAR) 34 CFR Parts 75.561 and 76.561 (b) and (c). |
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|  | ADE is the cognizant agency for school districts, charter holders, and county school superintendent offices. ADE calculates and issues indirect cost rates to these entities annually in compliance with the LEA Indirect Cost Plan.   |
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|  | ADE can issue indirect cost rates to entities that have another federal agency as their cognizant agency. These include non-profits, universities and colleges, other state agencies, and local governments.   |

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| C. | Definitions / Terms / Acronyms |
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|  | ADE                           | Arizona Department of Education.  |
|  | AFR                           | Annual Financial Report filed by school districts and charter holders pursuant to A.R.S. 15-904.  |
|  | ARS                           | Arizona Revised Statutes.   |
|  | Award                         | Financial assistance that provides support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money or property, in lieu of money, by the Federal Government to an eligible recipient.                                  |
|  | Awarding Agency               | (1) With respect to a grant, the Federal agency, and (2) with respect to a subgrant, the party that awarded the subgrant.   |
|  | Base (Direct Costs)           | The accumulated direct costs used to distribute indirect costs to individual Federal awards.  |
|  | Carry Forward                 | The difference between the estimated costs and the actual costs is carried forward as an adjustment to a subsequent period for which a rate is established.   |
|  | CFDA                          | Catalog of Federal Domestic Assistance.   |
|  | Cognizant Agency              | The Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under OMB Circular A-87 on behalf of all Federal agencies.  |
|  | County School Superintendent  | Is designated as a local education service agency for the purpose of serving as an education service agency that is eligible to receive and spend local, state and federal monies to provide programs and services to school districts and charter schools within the county. |
|  | Disallowed Costs              | Those charges to an award that the Secretary determines to be unallowable, in accordance with the applicable Federal cost principles or other terms and conditions contained in the award.  |
|  | ED                            | U. S. Department of Education.  |
|  | EDGAR                         | Education Department General Administrative Regulations. 34 CFR Parts 74, 75, 76, 77, 78, 80, 81, 82, 85, 86, 97, 98, and 99.   |
|  | Educational Institutions      | Colleges, universities, and community colleges.   |
|  | Federal Awarding Agency       | The Federal agency that provides an award to the recipient.   |
|  | Fixed Rate With Carry Forward | Indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual, allowable costs of the  |

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|  |  | period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period. |
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| C. | Definitions / Terms / Acronyms |
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|  | FPFO               | These are the identifying codes used by ADE for each line item on the AFR.  |
|  | Funding Period     | Period of time when Federal funding is available for obligations by the recipient.  |
|  | Government         | State or local government or a federally recognized Indian tribal government.   |
|  | Grant              | An award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee.   |
|  | Grantee            | <p>(1) The government to which a grant is awarded and which is accountable for the use of the funds provided.</p> <p>(2) The legal entity other than a government subject to 34 CFR Part 80 to which a grant is awarded and which is accountable to the Federal Government for the use of the funds provided.</p> <p>(3) The grantee is the entire legal entity even if only a particular component of the entity is designated.</p>  |
|  | Grant Period       | The period for which funds have been awarded.   |
|  | Indirect Costs     | <p>Those costs of a general nature which are not readily identifiable with the activities of the grant but are, nevertheless, incurred for the joint benefit of those activities and other activities or programs of the organization.</p> <p>(1) They are incurred for a common or joint purpose benefiting more than one cost objective.</p> <p>(2) Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results.</p> |
|  | Indirect Cost Pool | Is the accumulated costs that jointly benefit two or more programs or other cost objectives.  |
|  | Indirect Cost Rate | Is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.  |

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| C. | Definitions / Terms / Acronyms |
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|  | Local Education Agency     | <p>(1) A public board of education or other public authority legally constituted within a state for either administrative control of or direction of, or to perform service functions for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a state or such combination of school districts or counties a state recognizes as an administrative agency for its public elementary or secondary schools.</p> <p>(2) Any other public institution or agency that has administrative control and direction of a public elementary or secondary school.</p> <p>(3) It also includes any other public institution or agency that has administrative control and direction of a vocational education program.</p> |
|  | Local Government           | A county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments, any other regional or interstate government entity, or any agency or instrumentality of a local government.  |
|  | Nonprofit                  | As applied to an agency, organization, or institution, means that it is owned and operated by one or more corporations or associations whose net earnings do not benefit, and cannot lawfully benefit, any private shareholder or entity.  |
|  | Non-Federal Audit Services | Fees paid for audit services which do not include fees paid for completion of a federal single audit. These cannot be included in indirect costs.  |
|  | Non-Restricted Rate        | Programs or grants which do not have a statutory requirement prohibiting the use of federal funds to supplant non-federal funds will use this rate. Examples are the major food programs such as National School Lunch.  |
|  | OMB                        | Office of Management and Budget.   |

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| C. | Definitions / Terms / Acronyms |
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|  | OMB Circular A-87        | <p>Office of Management and Budget Cost Principles for State, Local, and Indian Tribal Governments.</p> <p>This Circular establishes principles and standards for determining costs for Federal awards carried through grants, cost reimbursement contracts, and other agreements with state and local governments and federally-recognized Indian tribal governments.</p> <ul style="list-style-type: none"> <li>➤ Costs must be accorded consistent treatment.</li> <li>➤ Costs can only be indirect or direct but not both.</li> <li>➤ Like costs cannot be treated as an indirect cost for one grant and a direct cost for another grant.</li> <li>➤ Costs cannot be interchanged between direct and indirect during the year.</li> </ul> |
|  | OMB Circular A-21        | Office of Management and Budget Cost Principles for Educational Institutions.   |
|  | OMB Circular A-110       | Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations.   |
|  | OMB Circular A-122       | Office of Management and Budget Cost Principles for Non-Profit Organizations.   |
|  | Restricted Rate          | Programs or grants which have a statutory requirement prohibiting the use of federal funds to supplant non-federal funds must use this rate.  |
|  | Severance Pay            | These are actual expenditures paid to employees for unused vacation and sick leave who have terminated employment during the past fiscal year.  |
|  | State Educational Agency | The state board of education or other agency or officer primarily responsible for the supervision of public elementary and secondary schools in the state.  |
|  | Subaward                 | An award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient.  |
|  | Subgrant                 | An award of financial assistance in the form of money, or property in lieu of money, made under a grant by a grantee to an eligible subgrantee.   |
|  | Subgrantee               | The government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of funds.   |



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| C. | Definitions / Terms / Acronyms |
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|  | Title 15 | Education statutes under Arizona Revised Statutes.   |
|  | USFR     | Uniform System of Financial Records established pursuant to A.R.S. 15-271. Represents the accounting systems, accounting methods and procedures to be used by school districts.                            |
|  | USFRCS   | Uniform System of Financial Records for Arizona Charter Schools established pursuant to A.R.S. 15-271. Represents the accounting systems, accounting methods and procedures to be used by charter schools. |

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| D. | Overview of Indirect Cost Rate Process |
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|  | Indirect Cost Plan    | <p>ADE submits the costs principles and methodology to be used to calculate the indirect cost rates for LEAs.</p> <p>A draft plan is required to be submitted to USDOE by December 31 of the year prior to the expiration of the current approved plan.</p> <p>A new plan is due to USDOE by December 31, 2006.</p> <p>Current plan expires June 30, 2007.</p> |
|  | Review                | USDOE reviews the draft plan. After review, both USDOE and ADE sign off on the new plan.   |
|  | Approved Plan         | ADE then uses the methodology in the plan to calculate indirect cost rates for the LEAs annually.  |
|  | Rates Issued To LEA's | <p>The following LEA's are issued annual indirect cost rates:</p> <ul style="list-style-type: none"> <li>➤ Districts</li> <li>➤ Charter Holders</li> <li>➤ County School Superintendent</li> <li>➤ Colleges and Universities</li> <li>➤ Other State Agencies</li> <li>➤ Other Local Governments</li> </ul>   |
|  | AFR Filed             | Both school districts and charter holders are required to submit their AFR electronically to ADE by 10/15/XX.  |

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|  | Superintendent's Report | By January 20 of the following year, an annual Superintendent's Report is submitted to the legislature. From 10/15 through 1/20, the school finance division ensures that all AFR reports have been successfully submitted and does validation of data. |
|  |                         |   |
|  | AFR Mask Codes          | From January 20 through January 31, obtain the recently completed fiscal year AFR mask codes from school finance for both school districts and charter holders.   |
|  |                         |   |
|  | Review Line Items       | Review the AFR and verify if there are changes made to either the FPFO, page number, description, and if a line item location has changed. Verify if a line item needs to be added or deleted.  |
|  |                         |   |
|  | Update Database         | Perform the Rollover function from the Indirect Cost Program menu. This will copy all the formula's and FPFO's from last year to the next year.<br><br>Update and make any changes to line items, calculations, and the report editor page.             |

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| D. | Overview of Indirect Cost Rate Process |
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|  | Charter Holder Review | Obtain an up to date listing of all charter holders and determine which holders are in their first and second year of operation.<br><br>These holders will receive the calculated state average rate in lieu of a calculated rate from their AFR. |
|  |                       |   |
|  | Budget Tools Query    | Select some districts and charter holders and query the Budget Tools Program to run a query on the indirect calculations.<br><br>Note: If this program is not operational or has problems, request a query from school finance.                   |
|  |                       |   |
|  | Query Review          | Review the data and test the numbers using an excel spreadsheet.  |
|  |                       |   |
|  | Run Calculations      | Perform the Run Calculations option from the menu of the Indirect Cost Program.   |

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|  |           | <p>Verify that the calculated rates match the “test” calculations from the sampled districts and charter holders.</p> <p>Review the Report Editor page to ensure the report is accurate and includes all the necessary information.</p> |
|  |           |   |
|  | Results   | <p>If there are discrepancies, determine what they are and correct.</p> <p>Once completed, LEA’s will have access to the information.</p>   |
|  |           |   |
|  | Web Page  | Develop a Rate list to submit to Grants Management to place on their web page for access by LEA’s.  |
|  |           |   |
|  | Close-Out | Respond to calls and questions from LEA’s regarding the rates.  |
|  |           |   |
|  | Updates   | Periodically, rates will be issued after the main calculation. Once a month, verify if there are amended AFR’s filed. If so, it could affect the rates. Check for this. You may have to revise an LEA’s rate.                           |

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| E. | Indirect: Important Criteria |
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|  | Basic Formula | <p>Actual Indirect Costs</p> <p>Plus Carry Forward Provision</p> <p>Equals Indirect Cost Pool Total</p><br><p>Indirect Cost Pool Total</p> <p>Divided By Direct Cost Total</p> <p>Equals Fixed Rate with Carry Forward (%)</p>   |
|  |               |  |
|  | Maximum Rate  | <p>The maximum rate that can be taken is the lessor of the following three criteria:</p> <ul style="list-style-type: none"> <li>➤ The maximum rate allowed by the grant or</li> <li>➤ The rate issued to the LEA by ADE or</li> <li>➤ The actual indirect costs incurred if less than the two criteria above.</li> </ul> |
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|  | Statutory Limitation | EDGAR requirements limit the maximum rate allowed: <ul style="list-style-type: none"> <li>➤ Restricted Rate is limited to 8.00 %.</li> <li>➤ Non-restricted Rate is limited to 25 .00 %.</li> </ul> |
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| F. | Districts |
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|        | Indirect Cost Pool Calculation           | Non-Restricted | Restricted |
|--------|--|----------------|------------|
|        |  |                |            |
| Add    | Function 2500 (Business and Finance)     | 00             | 00         |
| Add    | Function 2840 (Data Processing)          | 00             | 00         |
| Add    | Telephone & Communications (6530)        | 00             | 00         |
| Add    | Function 2600 (Plant Maintenance)        | 00             | N/A        |
| Add    | Federal Audit Services                   | 00             | 00         |
| Add    | Severance Pay                            | 00             | 00         |
| Equals | Total Indirect Cost Pool                 | 00             | 00         |
| Add    | Carry Forward Adjustment                 | 00             | 00         |
| Add    | Carry Forward Adjustment – Prior Year    | 00             | 00         |
| Equals | Indirect Cost Pool                       | 00             | 00         |
|        |  |                |            |
|        | Indirect Cost Base Calculation           |                |            |
|        |  |                |            |
| Add    | Total Fund 001 (M & O)                   | 00             | 00         |
| Add    | Classroom Site Fund                      | 00             | 00         |
| Add    | Total Fund 500 (Lease Over 1 Year)       | 00             | 00         |
| Add    | Total Fund 505 (Lease 1 Year or Less)    | 00             | 00         |
| Add    | Total Fund 506 (Sale)                    | 00             | 00         |
| Add    | Special Projects for Funds 100 – 499     | 00             | 00         |
| Add    | Food Services (Fund 510)                 | 00             | 00         |
| Less   | Tuition (Object Code 6560-6569)          | 00             | 00         |
| Less   | Capital Expenditures for Funds 100 - 499 | 00             | 00         |
| Less   | Capital Expenditures for Fund 510        | 00             | 00         |
| Less   | Severance Pay                            | 00             | 00         |
| Less   | Indirect Cost Pool Total                 | 00             | 00         |
| Equals | Base                                     | 00             | 00         |
|        |  |                |            |
|        | Issued Rate (Indirect divided by Base)   | 00 %           | 00 %       |
|        |  |                |            |
|        | Carry Forward Computation                |                |            |
|        |  |                |            |
| Add    | Actual Indirect Costs                    | 00             | 00         |

|        |  |    |    |
|--------|--|----|----|
| Less   | Prior Year Fixed Rate X This Year's Base | 00 | 00 |
| Equals | Carry Forward Balance                    | 00 | 00 |

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| F. | Line Item Explanations |
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|  | Based on USFR                   |   |
|  |                                 |   |
|  | Function 2500                   | Support Services – Business<br>Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the district. Include here the fiscal and internal services necessary for operating the district, including the Chief Business Official.  |
|  |                                 |   |
|  | Function 2840                   | Data Processing Services<br>Activities concerned with preparing for storage, storing data, and retrieving it for reproduction as information for management and reporting. This function includes system analysis, programming, and operations services.  |
|  |                                 |   |
|  | Telephone & Communication 6530  | Communications<br>Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone, cable, satellite, and facsimile services as well as postage.  |
|  |                                 |   |
|  | Function 2600 Plant             | Operation and Maintenance of Plant Services<br>Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools. |
|  |                                 |   |
|  | Audit Services – Federal (6330) | Other Professional Services<br>Professional services other than educational services that support the operation of the district. Include medical doctors, lawyers, architects, auditors ( <i>federal programs only</i> ), accountants, therapists, audiologists, dietitians, editors, negotiation specialists, systems analysts, and planners.              |
|  |                                 |   |
|  | Severance Pay                   | Total unused sick and vacation leave included in severance pay for all funds.   |

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|  |                          |  |
|  | Total Indirect Cost Pool | This is the sum of the items in the numerator of the calculation.  |
|  |                          |  |
|  | Carry Forward Adjustment | <p>The difference between the estimated costs and the actual costs is carried forward as an adjustment to a subsequent period for which a rate is established.</p> <p>This is a reasonableness test required by Circular A-87 and ADE's approved plan.</p>   |
|  |                          |  |
|  | Indirect Cost Pool       | This is the sum of the total indirect cost pool plus the carry forward balances. This represents the numerator portion of the calculation.   |
|  |                          |  |
|  | Total Fund 001           | <p>Maintenance and Operation Fund</p> <p>Accounts for all financial resources of the district except those required to be accounted for in another fund. It is the district's General Fund and is so identified for financial reporting purposes.</p>  |
|  |                          |  |
|  | Classroom Site Fund      | <p>Classroom Site</p> <p>Control fund for Classroom Site Funds which includes base salary, performance pay, and other which is used for class size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums.</p>  |
|  |                          |  |
|  | Total Fund 500           | <p>School Plant (Lease Over 1 Year)</p> <p>Accounts for monies received from the sale of school property before July 1, 1998 or lease of school property for more than one year and used for payment of the outstanding bonded indebtedness, the reduction of district taxes, maintenance and operation, or capital outlay under criteria specified in A.R.S. 15-1102.</p> |
|  |                          |  |
|  | Total Fund 505           | <p>School Plant (Lease 1 Year or Less)</p> <p>Accounts for monies received from the lease of school property for 1 year or less and used for payment of the outstanding bonded indebtedness, the reduction of district taxes, maintenance and operation, or capital outlay under</p>   |

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|  |                          | criteria specified in A.R.S. 15-1102.  |
|  |                          |  |
|  | Total Fund 506           | <p>School Plant (Sale)</p> <p>Accounts for monies received from the sale of school property after June 30, 1998, and used for the payment of outstanding bonded indebtedness, the reduction of district taxes, or capital outlay under criteria specified in A.R.S. 15-1102.</p> |
|  |                          |  |
|  | Special Projects         | <p>Federal and State Projects 100 – 499</p> <p>A group of funds used to account for revenues and expenditures of federally funded projects and state funded projects.</p>  |
|  |                          |  |
|  | Food Services            | <p>Fund 510</p> <p>Accounts for the financial operations of school activities that have as their purpose the preparation and serving of regular and incidental meals and snacks in connection with school functions.</p>   |
|  |                          |  |
|  | Tuition                  | <p>Object Code 6560 – 6569</p> <p>Expenditures to reimburse other educational institutions that educate students residing in the district. See A.R.S. 15-764, 15-824, and 15-825.</p>  |
|  |                          |  |
|  | Capital Expenditures     | <p>For Funds 100 – 499</p> <p>Related to expenditures of federally funded projects.</p>  |
|  |                          |  |
|  | Capital Expenditures     | <p>For Fund 510</p> <p>Related to food service expenditures.</p>   |
|  |                          |  |
|  | Severance Pay            | Total unused sick and vacation leave included in severance pay for all funds.  |
|  |                          |  |
|  | Total Indirect Cost Pool | This is the sum of the items in the numerator of the calculation. This is subtracted from the base or denominator of the calculation.  |
|  |                          |  |
|  | Base                     | This is the sum of the above items (starting with Total Fund 001) and represents the denominator of the  |

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|  |                              | calculation.   |
|  |                              |  |
|  | Indirect Rate                | This is the total indirect cost pool divided by the base.  |
|  |                              |  |
|  | Carry Forward Balance        | This is the total actual indirect cost minus the prior year fixed rate multiplied by the base total. |
|  |                              |  |
|  | Prior Year Fixed Rate X Base | This takes the prior year's assigned indirect cost rate and multiplies it by this year's base.       |

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| G. | Charter Holders |
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|        | Indirect Cost Pool Calculation                       | Non-Restricted | Restricted |
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|        |  |                |            |
| Add    | Support Services - Bus. Exp (Function 2500)          | 00             | 00         |
| Less   | Contracted Audit Fees – In Line Above                | 00             | 00         |
| Add    | Support Services – Central Exp. (Function 2800)      | 00             | 00         |
| Add    | Expenses for Communications (Object Code 6530)       | 00             | 00         |
| Add    | Operation / Maint. Of Plant Services (Function 2600) | 00             | N/A        |
| Less   | Land / Bldg. Lease Payments in Function 2600         | 00             | N/A        |
| Add    | Federal Audit Services                               | 00             | 00         |
| Add    | Severance Pay  | 00             | 00         |
| Equals | Total Indirect Cost Pool                             | 00             | 00         |
| Add    | Carry Forward Adjustment                             | 00             | 00         |
| Add    | Carry Forward Adjustment – Prior Year                | 00             | 00         |
| Equals | Indirect Cost Pool                                   | 00             | 00         |
|        |  |                |            |
|        | Indirect Cost Base Calculation                       |                |            |
|        |  |                |            |
| Add    | M & O Expenditures – Includes Classroom Site Fund    | 00             | 00         |
| Add    | Food Services (Fund 6100 - 6800)                     | 00             | 00         |
| Less   | Capital Expenditures                                 | 00             | 00         |
| Less   | Tuition (Object Code 6560-6569)                      | 00             | 00         |
| Less   | Severance Pay  | 00             | 00         |
| Less   | Indirect Cost Pool Total                             | 00             | 00         |
| Equals | Base   | 00             | 00         |
|        |  |                |            |
|        | Issued Rate (Indirect divided by Base)               | 00 %           | 00 %       |
|        |  |                |            |
|        | Carry Forward Computation                            |                |            |
|        |  |                |            |
| Add    | Actual Indirect Costs                                | 00             | 00         |



|        |  |    |    |
|--------|--|----|----|
| Less   | Prior Year Fixed Rate X This Year's Base | 00 | 00 |
| Equals | Carry Forward Balance                    | 00 | 00 |

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| G. | Line Item Explanations |
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|  | Based on USFRCS                                       |  |
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|  | Function 2500   | Support Services – Business<br>Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the school. Include here the fiscal and internal services necessary for operating the school, including the Chief Business Official, fiscal services, purchasing services, warehousing and distributing services, and printing, publishing, and duplicating services.  |
|  |   |  |
|  | Contracted Audit Fees                                 | Non-federal contracted audit fees charged to 2500 are subtracted out.  |
|  |   |  |
|  | Function 2800   | Support Services – Central<br>Activities, other than general administration, that support each of the other instructional and supporting services programs. These include planning, research, development, evaluation, information, staff, and data processing services as well as staff training.   |
|  |   |  |
|  | Expenses for Communication 6530                       | Communications<br>Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone, cable, satellite, and facsimile services as well as postage.   |
|  |   |  |
|  | Operation / Maint. Of Plant Services<br>Function 2600 | Operation and Maintenance of Plant Services<br>Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. These activities include supervision of operation and maintenance of plant services, operating building services, care and upkeep of ground services, care and upkeep of equipment services, vehicle operation and maintenance services, and security services. |
|  |   |  |
|  | Land / Bldg Lease Payments                            | Lease payments in Function 2600 are subtracted out.  |

|  |   |   |
|--|---|---|
|  |   |   |
|  | Federal Audit Services (6300)           | <p>Purchased Professional and Technical Services</p> <p>Services which by their nature can be performed only by persons or firms with specialized skills and knowledge. Primary reason is for the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, counselors, technicians, therapists, accountants, etc.</p> |
|  |   |   |
|  | Severance Pay                           | Total unused sick and vacation leave included in severance pay for all funds.   |
|  |   |   |
|  | Total Indirect Cost Pool                | This is the sum of the items in the numerator of the calculation.   |
|  |   |   |
|  | Carry Forward Adjustment                | <p>The difference between the estimated costs and the actual costs is carried forward as an adjustment to a subsequent period for which a rate is established.</p> <p>This is a reasonableness test required by Circular A-87 and ADE's approved plan.</p>  |
|  |   |   |
|  | Indirect Cost Pool                      | This is the sum of the total indirect cost pool plus the carry forward balances. This represents the numerator portion of the calculation.  |
|  |   |   |
|  | M & O Expenditures                      | <p>Maintenance and Operation Fund</p> <p>Accounts for all financial resources of the school including those required to be accounted for separately (i.e. federal and state projects), and classroom site funds base salary, performance pay, and other.</p>  |
|  |   |   |
|  | Food Service Expenditures (6100 - 6800) | <p>Food Service</p> <p>Costs for food used in the school food service program.</p>  |
|  |   |   |
|  | Capital Acquisitions                    | <p>Capital Assets 0180 – 0184</p> <p>Assets of the school such as land improvements, buildings and improvements, and equipment, and construction in progress.</p>   |
|  |   |   |
|  | Tuition                                 | Object Code 6560 – 6569   |

|  |                              |   |
|--|------------------------------|---|
|  |                              | Expenditures to reimburse other educational institutions that educate students residing in the district. See A.R.S. 15-764, 15-824, and 15-825. |
|  |                              |   |
|  | Severance Pay                | Total unused sick and vacation leave included in severance pay for all funds.   |
|  |                              |   |
|  | Total Indirect Cost Pool     | This is the sum of the items in the numerator of the calculation. This is subtracted from the base or denominator of the calculation.           |
|  |                              |   |
|  | Base                         | This is the sum of the above items (starting with M & O) and represents the denominator of the calculation.                                     |
|  |                              |   |
|  | Indirect Rate                | This is the total indirect cost pool divided by the base.   |
|  |                              |   |
|  | Carry Forward Balance        | This is the total actual indirect cost minus the prior year fixed rate multiplied by the base total.  |
|  |                              |   |
|  | Prior Year Fixed Rate X Base | This takes the prior year's assigned indirect cost rate and multiplies it by this year's base.  |